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## Banking On Belgrade: Nixon's Foreign Aid Policy With Yugoslavia (1970-1974)

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## Banking On Belgrade: Nixon's Foreign Aid Policy With Yugoslavia (1970-1974)

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BANKING ON BELGRADE: NIXON'S FOREIGN AID POLICY WITH YUGOSLAVIA  
(1970-1974)

Robert 'Bo' Kent

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When Richard Nixon assumed the American Presidency in 1969, he inherited a greatly weakened foreign policy. The faltering American war effort in Vietnam, combined with the onset of Soviet nuclear parity, had done significant damage to the country's ability to project power during the Cold War. To continue the American policy of containment towards the Soviet Union, Nixon implemented a policy known as detente, or a loosening of tensions between the two superpowers. Through detente, the Nixon Administration sought to advance the prospect of "habits of mutual restraint, coexistence, and ultimately, cooperation."<sup>1</sup> Beneath the overtures to peace with the Soviet Union was a subtle capitulation to the fact that the United States could no longer meet the Cold War head-on. Instead, policymakers like Nixon would have to rely on more subtle levers of American power to contain the Soviets. In his grand strategy, Nixon aimed to create what historian John Lewis Gaddis retroactively called "multipolar equilibrium," meaning the United States would seek to reinforce power blocs which remained outside the US and USSR spheres of influence.<sup>2</sup> Stemming from this, Nixon sought to counter Soviet influence by bolstering American relations with independent communist regimes such as Romania and the People's Republic of China. Partnership with communist regimes like those mentioned were to be evaluated on a case by case basis, no longer dismissed on ideological grounds alone. This was a far cry from Nixon's earlier position on international communism, which characterized the ideology as monolithic, and thus, the only solution to it was "a massive offensive for freedom."<sup>3</sup>

One of Nixon's early overtures towards independent communist states was his policy towards the regime of Josip Broz Tito in Yugoslavia. Being that the country was a staunchly independent, non-Soviet, socialist regime in the Balkans, Nixon aimed to prop up the country as

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1 Henry Kissinger quoted in John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War* (New York: Oxford University Press, 2005), 208.

2 Gaddis, *Strategies of Containment*, 208.

3 "Richard Nixon on Communism and Khrushchev," Richard Nixon, Victoria Schuck Political Film Collection, John F. Kennedy Presidential Library, Boston, MA.

a shield against Soviet aggression in the region. From 1970 to 1974, the Nixon administration provided aid to Yugoslavia, seeking to protect the country's neutrality in the Cold War and its independence from the Soviet Bloc while it was undergoing a period of upheaval related to its economy and political structure. Nixon, the original Cold Warrior, had changed along with the times. Rather than accept the epistemological division of the world between 'free' and 'communist,' Nixon sought to build a partnership with Yugoslavia around the shared interest of keeping Soviet influence out of the Balkans. Indeed, the Nixon Administration was not attempting to pull Yugoslavia into an American sphere of influence, rather, it sought to reinforce Yugoslavia's position as a non-aligned nation. Recognition of an international 'third way' between the Western alliance and the Eastern bloc was thus a major innovation in Nixon's dealings with Yugoslavia.

### **Historiography**

Scholarship regarding Nixon's foreign policy towards Yugoslavia has been relatively scant, despite the subject providing insight into how the Nixon Administration dealt with communist regimes. One of the few monographs which addresses Nixon's Yugoslav policy in great detail is "United States-Yugoslav Relations, 1961-80: The Twilight Of Tito's Era And The Role Of Ambassadorial Diplomacy In The Making Of America's Yugoslav Policy" by Josip Mocnik. While the study addresses Nixon's foreign policy towards Yugoslavia, the subject is hardly the focus of the dissertation, given its length. Moreover, Mocnik's assertion that during the Nixon years "high-level visits...paradoxically marked the declining bilateral relations" is disputable, considering the high amounts of economic aid the Nixon administration provided the country.<sup>4</sup> While certainly prone to troubles, US-Yugoslav relations under Nixon were hardly in

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<sup>4</sup> Josip Mocnik, "United States-Yugoslav Relations, 1961-80: The Twilight Of Tito's Era And The Role Of Ambassadorial Diplomacy In The Making Of America's Yugoslav Policy," (Bowling Green University: 2008), 174.

decline when examined in context. The focus of this study, then, is to show that economic aid was one of the major ways through which Nixon cultivated positive relations with Yugoslavia, and how this policy represented a significant shift in American Cold War policy.

With the relative absence of scholarship on US-Yugoslav relations during the Nixon era, it is important to draw attention to the scholarship that has examined Nixon's foreign policy framework writ large. In doing so, it becomes clear that Nixon's diplomacy with Yugoslavia fit neatly with how his administration regularly conducted foreign policy.

Firstly, historians highlight that Nixon dealt with many communist regimes pragmatically, making ideological divisions secondary to enhancing mutual goals. In this regard, Nixon's innovation was "identifying the enemy to be contained not as communism, but rather the Soviet Union, defined as a traditionally expansionist nation-state," according to Norman Podhoretz.<sup>5</sup> Historians Lee Edwards and Elizabeth Spalding echo this assertion, writing that Nixon believed "America could work even with communist countries as long as they promoted global stability, the new core of U.S. foreign policy."<sup>6</sup> The Brezhnev Doctrine- which asserted the Soviet Union's right to intervene in the politics of other communist states militarily- inadvertently helped further Nixon's goal of exploiting fractures in international communism. Supporting independent communist regimes like Yugoslavia would help "exacerbate Soviet defense problems by enhancing the worldwide opposition to Soviet expansion in general," diplomacy Robert Sutter states.<sup>7</sup> John Lewis Gaddis writes that this line of thinking was very much in line with that of early Cold War strategist George Kennan. In *Containing the Soviet*

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<sup>5</sup> Norman Podhoretz, "The Rise and Fall of Containment" in *Containing the Soviet Union*, (Lincoln: Potomac Books, 1987), 219.

<sup>6</sup> Lee Edwards and Elizabeth Spalding, *A Brief History of the Cold War*, (Washington: Regnery History Publishing, 2016), 131.

<sup>7</sup> Robert Sutter, *China and the Third World- Strategic and Economic Imperatives and China's Third World Policy*, (Foggy Bottom: George Washington University Press, 1999), 15.

*Union*, Gaddis writes that “where communists were not under Moscow’s control, as was clearly the case with Tito’s Yugoslavia... Kennan’s strategy looked to the possibility of working with rather than against them to contain the Soviet Union.”<sup>8</sup> Thus, Nixon’s strategy can be viewed as a mixture of old and new, blending Kennan-era strategy with the new means and limits of American foreign policy.

Secondly, historians assert that regionalism was a key component of Nixon’s grand strategy. With the United States not being able to shoulder direct military involvement in certain parts of the globe, the Nixon Administration sought to strengthen local allies in geopolitically significant regions. As articulated in the Nixon Doctrine in 1969, the United States would continue to provide military assistance to its allies while lessening direct intervention on their behalf.<sup>9</sup> Robert Litwak provides a framework for this regionalism, and asserts that “American post-Vietnam foreign policy was premised upon the belief that the establishment of a new relationship with the United States’ great-power rivals would create the favorable political atmosphere so as to facilitate the orderly devolution of American power to incipient regional powers.”<sup>10</sup> In *Hard Line*, Colin Dueck agrees, saying that “in the context of intense military, fiscal, and domestic pressures due to Vietnam, Nixon and Kissinger sought devolution of primary responsibility away from the United States and towards its allies’ own self defense.”<sup>11</sup> Dueck cites specific instances of this strategy, touching on Iran, Saudi Arabia, and South Africa as being “regional policemen” which the United States furnished with substantial economic and military

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<sup>8</sup> John Lewis Gaddis, “The Evolution of Containment,” in *Containing the Soviet Union*, (Lincoln: Potomac Books, 1987), 4.

<sup>9</sup> Richard M. Nixon, *Public Papers of the Presidents of the United States: Richard Nixon: Containing the Public Messages, Speeches, and Statements of the President*, (Washington: Office of the Federal Register, National Archives and Records Service, General Services Administration, 1971), 544-556.

<sup>10</sup> Robert S. Litwak, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976*, (Cambridge: Cambridge University Press, 1986), 54.

<sup>11</sup> Colin Dueck, *Hard Line: The Republican Party and US Foreign Policy Since World War II*, (Princeton: Princeton University Press, 2010), 157.

aid.<sup>12</sup> Odd Arne Westad concurs with the ‘policemen’ metaphor, going further to claim that these states were often authoritarian in nature.<sup>13</sup> For historians of American Cold War diplomacy, ‘distance’ replaced ‘intervention’ as the watchword for international affairs. In the context of regionalism, Nixon-era strategists saw Yugoslavia as a potential policeman in the Balkan region. With its location on NATO’s southern flank, its border with the Adriatic Sea, and its status as the only independent socialist state in the Balkans, Yugoslavia was geopolitically invaluable to American grand strategy. As will be addressed, the Nixon Administration had to use aid short of military means to advance its goal of making Yugoslavia a ‘regional policeman.’

Taking the two concepts of pragmatism and regionalism as effective summations of Nixon-era grand strategy, it is easy to see where Yugoslavia fits in. Internationally, the country was surrounded by hostile members of the Soviet-led Warsaw Pact. On the domestic front, the country was beset with economic and political strife which were chipping away at Tito’s regime. In this situation, an economically weak Yugoslavia was slipping into the sort of internal strife which the Soviet Union could easily exploit. With Moscow becoming more bold in its moves against ‘revisionist’ communist states in Eastern Europe, Warsaw Pact action against Yugoslavia seemed more imminent now than it had since the end of World War II. Any Soviet aggression in this direction would greatly shift the balance of power in Europe, and the Nixon Administration resolved to not sit by idly.

### **Conceptual Interest in Aid to Yugoslavia**

Yugoslav national security was of primary interest to the United States as a bulwark against Soviet influence in the Balkans. Despite being communist, Yugoslavia was a thorn in the Soviets’ side since the Tito-Stalin Split of 1948. In this dispute, Tito refused to accept Soviet

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<sup>12</sup> Dueck, *Hard Line: The Republican Party and US Foreign Policy Since World War II*, 157.

<sup>13</sup> Odd Arne Westad, *The Cold War: a World History* (London: Penguin Random House UK, 2018), 197.



leadership of worldwide revolution, and after a period of great personal hostility between the two socialist leaders, Stalin had the Balkan upstart ejected from the Comintern. From that point on, Tito proclaimed that Yugoslavia would remain independent from the Eastern Bloc, which naturally put it at odds with Soviet interests in the Balkans.<sup>14</sup> For the Stalinists in the Kremlin, the existence of a non-Soviet path to socialism was a direct challenge to their leadership among the world's communist nations. According to National Security Advisor Henry Kissinger, "Stalin was quite right in worrying about the disruptive example it established for other countries in Eastern Europe."<sup>15</sup> Tito's independent stance "became part of the communist catalogue of cardinal sins," historian William Kintner writes, "and in Stalin's scheme, there was only one way to communism- the way of the Soviet Union."<sup>16</sup>

Recent Soviet adventurism in Eastern Europe was a source of concern for many American policymakers, who feared that Moscow was taking a more aggressive posture in the region. In 1968, Soviet Premier Leonid Brezhnev ordered the Warsaw Pact to crush the Prague Spring movement in Czechoslovakia. The Soviets maintained that the Pact's intervention was intended "to defend the socialist gains of the Czechoslovak people."<sup>17</sup> This justification came to be known as the Brezhnev Doctrine, and the precedent it set alarmed independent communist regimes around the globe. Yugoslavia joined Romania and China in denunciations of the Soviet invasion, with Tito declaring before the League of Communists Yugoslavia (LCY) "that the principles of non interventionism, independence, and integrity must be valid for all countries, whether they be communist or not."<sup>18</sup> At the Ninth LCY Congress in 1969, Tito further

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14 Josip Broz. Tito and Henry M. Christman, *The Essential Tito*, (New York: St. Martins Press, 1970), 155.

15 Henry Kissinger, *White House Years*, (New York: Simon & Schuster Trade Paperbacks, 2011), 929.

16 William Roscoe Kintner and Wolfgang Klaiber, *Eastern Europe and European Security*, (New York: Dunellen, 1971), 10.

17 Sergei Kovalev, "The International Obligations of Socialist Countries," September 25, 1968. *Pravda*, 26 September 1968, p. 4.

18 Tito, *The Essential Tito*, 154

denounced “the invasion of Czechoslovakia, the theory of ‘limited sovereignty’ of socialist states, and [Soviet] plans to reconstitute a single ‘international guiding center’ with a single line for the communist movement.”<sup>19</sup> Brezhnev had thus tarnished the goodwill which the previous premier, Nikita Khrushchev, had spent years trying to cultivate.<sup>20</sup> The old Tito-Stalin split was re-invigorated, this time without Stalin. Despite appearing tough on the world stage, Tito’s denunciations were fueled by a fear that the Soviets would use the Brezhnev Doctrine to justify an invasion of Yugoslavia. The State Department affirmed that Yugoslav attitudes towards the Soviets at this juncture were “characterized by caution and a pragmatism stemming from lack of faith in Soviet leaders, whom the Yugoslavs consider unpredictable.”<sup>21</sup> In the middle of this international disturbance, the National Security Council saw the United States’ potential to turn the tables on the Soviets, reporting that what happened in Czechoslovakia had “significantly broadened the possibilities for meaningful bilateral exchange” between the United States and Yugoslavia.<sup>22</sup>

From the West’s perspective, Yugoslavia began to make real commitments to ensure that such an intervention would not occur in their country. The Yugoslav People’s Army (JNA) took the first step, adopting a new military doctrine known as ‘Total People’s Defense,’ which drew on tactics its army had developed during World War II.<sup>23</sup> Its focus was to train regional units of armed civilians to coordinate guerilla operations with the JNA to repel an enemy invasion. The RAND Corporation concluded that Total People’s Defense was explicitly directed against the

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19 Ninth Party Congress Reaffirms Liberal and Independent Path, March 20, 1969, Box 733, NSC Country Files-Europe, Yugoslavia Volume I; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

20 Central Intelligence Agency, “Yugoslav-Soviet Relations,” April 23 1968,

21 State Department Report on Soviet- Yugoslav Relations April 1969, Box 733, NSC Country Files- Europe, Yugoslavia Volume I; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

22 “Response to National Security Study Memorandum 129,” U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d230>.

23 A. Ross Johnson, et al. “In Search of Self Reliance, US Security Assistance to the Third World Under the Nixon Doctrine”, (Santa Monica, CA, Rand Corporation, June 1973), 15.

Soviet Union, and that the JNA was sending a signal to Moscow that “a Czechoslovak-like road march into Yugoslavia is not possible [and] that an invasion would have unpredictable consequences.”<sup>24</sup> Combined with domestic efforts, Yugoslavia continued to probe abroad for guarantees of their national security, most frequently from the United States. During a meeting between JNA Chief of Staff Viktor Bubanj and American Ambassador William Leonhart, the General asked, “what would the U.S. do in case of Soviet attack on Yugoslavia?”<sup>25</sup> The ambassador provided a rather evasive answer to Bubanj that the United States would not allow such an action to go unpunished. Likewise, Assistant Secretary of Defense for International Security Affairs Warren Nutter reported that Yugoslav National Defense Secretary Stane Dolinac had told him “Yugoslavia is particularly interested in having good relations with the United States,” and is “fully prepared to cooperate with other countries on the basis of mutual independence.”<sup>26</sup> To the Nixon administration, these conversations showed a desire for American assistance against the Soviet Union.

Against the backdrop of Soviet animosity, Yugoslavia was experiencing a period of domestic upheaval which greatly concerned the United States. At the urging of Edvard Kardelj, one of Tito's closest advisors, the LCY was moving to decentralize the Yugoslav political system. This meant delegating more power to Yugoslavia's constituent republics, and away from the central government in Belgrade. In light of this, Yugoslavia was moving towards the promulgation of a new constitution. At the 9<sup>th</sup> LCY Congress, held in March 1969, the delegates set forth the principles of decentralism and worker's self-management, which would be the

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24 A. Ross Johnson, “Total National Defense in Yugoslavia” Santa Monica, CA: RAND Corporation, 1971.

25 “Telegram From the Embassy in Yugoslavia to the Department of State March 13, 1970,” U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d218>.

26 Meeting with Lieutenant Colonel Ivan Dolnicar, February 1970, Box 428 NSC Files President's Trip Files, Yugoslavia 1969-1972; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

cornerstones of a post-Tito political structure.<sup>27</sup> Ambassador Leonhart reported that this reform movement would have to contend with “(a) Presidential succession for which no precedent in post-war Yugoslavia exists; (b) Restructuring of its federal system, bound to embroil regional rivalries and ethnic animosities; (c) An uncontrolled inflationary spiral and a continuing stabilization crisis.”<sup>28</sup> In response, the State Department issued a memo to President Nixon, in which it stated that “Yugoslavia is undergoing a critical period of basic political and economic reform. For urgent domestic and foreign considerations, it must succeed in the course of reform it has undertaken. We are convinced that its achievement will have consequences for both the capitalist and communist worlds.”<sup>29</sup>

Yugoslavia’s weak economy caused the most concern for American policymakers as this reform phase began. Yugoslavia’s population had increased following World War II. Still, the country remained a largely agrarian economy, as its eight cities with a population over 100,000 contained “only 9 percent of the country’s population.”<sup>30</sup> With an increasing population and minimal industry, Yugoslavia was suffering from demand-pull inflation, as aggregate demand for manufactured goods outpaced how fast they could be produced.<sup>31</sup> Yugoslavia sought to redress its stagnancy through a series of reforms that would reduce the central government’s control on the production of goods. Called ‘worker’s self-management,’ this plan would place product quotas, labor allocation, and price setting in the hands of local worker’s councils instead of Belgrade.<sup>32</sup>

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27 “Rezolucija IX Kongres SKJ, Socijalistički Razvoj U Jugoslaviji Na Osnovama Samoupravljanje I Zadaci Saveza Komunisti,” Deveti Kongres Skj — Elementi Federalizacija Partije, March 1969.

28 “Telegram From the Embassy in Yugoslavia to the Department of State February 17, 1971,” U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d223>.

29 “Telegram From the Embassy in Yugoslavia to the Department of State February 17, 1971.”

30 Wayne S. Vucinich, *Contemporary Yugoslavia: Twenty Years of Socialist Experiment*, (Berkeley: University of California Press, 1969), 89.

31 James Chen, “Demand-Pull Inflation,” Investopedia, April 08, 2019, accessed May 15, 2019, <https://www.investopedia.com/terms/d/demandpullinflation.asp>

32 James H. Seroka, “Prospects for Stability in Post Tito Yugoslavia”, *Slavic Review* Vol. 37, No. 2 (Jun., 1978), pp. 268-282, 272.

Tito realized that if the economic and political form were to succeed, “we must offer incentive to foreign and internal business ties.”<sup>33</sup> As such, Tito instructed Toma Granfil, a member of Yugoslavia’s executive council, to indicate to Ambassador Leonhart that American economic aid would “contribute to a smooth change of government organization and economic policies.”<sup>34</sup> Thus, the Yugoslavs’ general goal was to attract foreign capital to assist in this transition to a decentralized economy. More foreign investment financing from both Yugoslav and foreign firms would alleviate the financial burdens Belgrade faced during this process. The West viewed these developments positively and took them to mean that Yugoslavia was “discarding some of the more doctrinaire tenets of communism in favor of a freer, more open system,” according to one CIA report.<sup>35</sup> Similarly, the RAND Corporation reported to the State Department that “the goal of the latest stage of economic reform is to ensure continued economic and social development by further modernizing the Yugoslav economy, increasing its productivity and orienting it more toward world markets.”<sup>36</sup>

To the Nixon administration, an underdeveloped, fracturing Yugoslavia meant that the country was likely to succumb to economic, political, and perhaps even military pressure from the Soviet Union. Within this context, Yugoslavia acquired new significance in America’s European strategy. Firstly, the Soviet Union’s invasion of Czechoslovakia had exacerbated fractures already apparent within the Communist world, upsetting commonly held perceptions of international communism as monolithic.<sup>37</sup> Moreover, the invasion had raised the prospect that the

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<sup>33</sup> Tito, *The Essential Tito*, 186.

<sup>34</sup> “Memorandum for Mr. David Mark, Subject: Yugoslavia,” Central Intelligence Agency, February 26, 1971, Freedom of Information Act Electronic Reading Room, 5.

<sup>35</sup> “Memorandum for Mr. David Mark, Subject: Yugoslavia,” Central Intelligence Agency, July 13, 1971, Freedom of Information Act Electronic Reading Room, 3.

<sup>36</sup> A. Ross Johnson and Arnold L. Horelick, “Communist Political Succession” (Santa Monica, CA: Rand Corporation, 1972, 82.

<sup>37</sup> Henry Kissinger, *White House Years* (London: Simon & Schuster, 2011), 127.

Soviet Union would behave more aggressively towards independent communist regimes around the globe, as codified in the Brezhnev Doctrine. Secondly, Nixon's continuation of detente stipulated that the US had to curtail Soviet influence in Eastern Europe through means short of naked aggression. Productive engagement with regimes like Tito's would simultaneously strengthen Yugoslavia's independent position without jeopardizing the balance between the United States and the Soviet Union.<sup>38</sup> Thirdly, engaging with Yugoslavia was congruous with the Nixon Doctrine, which the President pronounced during his speech in Guam.<sup>39</sup> With Yugoslavia's history of non-compliance with Soviet pressure, many in the Nixon Administration theorized that the country would be a bulwark against the Kremlin's interests in the Balkans and the Adriatic Sea. In this sense, Yugoslavia could serve as one of America's regional policemen, as their interests converged around keeping Soviet influence at bay.

### **Building a Partnership**

In early 1970, Nixon made tentative moves towards a full-blown foreign aid program with Yugoslavia. After a meeting with Tito in Addis Ababa, Secretary of State Rogers sent a letter to Kissinger, in which the Secretary informed him that "Tito was somewhat critical at the slowness of U.S. firms in responding to projects for joint industrial ventures in Yugoslavia."<sup>40</sup>

Kissinger then relayed this information to President Nixon on February 12, 1970. Nixon underlined Tito's criticism and made a note to Kissinger, writing, "K—I am very much in favor

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38 Douglas E. Selva, "Transforming the Soviet Sphere of Influence? U.S.-Soviet Détente and Eastern Europe," 1969-1976, *Diplomatic History*, Vol. 33, No. 4 (September 2009), pp. 671-687, 678.

39 Richard M. Nixon, *Public Papers of the Presidents of the United States: Richard Nixon: Containing the Public Messages, Speeches, and Statements of the President* (Washington: Office of the Federal Register, National Archives and Records Service, General Services Administration, 1971), 544-556. Note: Though Yugoslavia was not mentioned in this speech, the general framework of the Nixon Doctrine was still applied in Washington's dealings with Belgrade.

40 "Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, February 12, 1970," U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d217>.

of exploiting this in Yugoslavia fully. If it works there, it might be the device by which we can work with Rumania & other E. European countries. Can we get a report from Stans & Kearns on this?—Get some steam behind it.”<sup>41</sup>

The American Export-Import Bank (Eximbank), chaired by Henry Kearns, was instrumental in the early stages of Nixon's Yugoslav aid plan. In an April 2, 1970 memo to Nixon, Rogers asserted that “many firms will not consider investment in developing countries unless insurances and guarantees are available.”<sup>42</sup> To alleviate this, Rogers stated that “the most effective steps we could now take to promote private investment in Yugoslavia would be to provide OPIC investment insurance and guarantees” in addition to “having the Eximbank participate to the fullest extent possible in covering the elements of an investment project which it can finance.”<sup>43</sup> OPIC wasn't able to furnish such aid at the moment, per Section 620 (f) of its charter, but Eximbank was subject to no such restrictions. Nixon approved of Rogers' recommendation to seek Eximbank support for investments in Yugoslavia, as well as endorsing the amending of OPIC's restrictive aid policies. Kearns replied to Nixon that “as a developing country with favorable prospects of economic growth and expanded trade with the West, Yugoslavia represents an attractive field for increasing export sales of US capital goods,” and that the Eximbank would “undertake whatever additional business the Bank is able to reasonably accommodate.”<sup>44</sup>

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41 "Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, February 12, 1970,"

42 Measures to Promote Investment in Yugoslavia, April 2 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

43 Measures to Promote Investment in Yugoslavia, April 2 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

44 Letter from Henry Kearns to Henry Kissinger on US Private Investment In Yugoslavia, March 30, 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

With the President's support, Eximbank would be able to provide monetary guarantees, lines of credit, and loans to firms based in Yugoslavia. In terms of operating procedure, the Bank would extend credit to Yugoslav entities, who would then purchase the goods they needed from American companies. Kearns visited Yugoslavia in September of 1970 to meet with the country's Deputy Federal Secretary for Finance, Ante Zelic, to begin negotiations for Eximbank financing on crucial projects. Zelic stated he found the meeting satisfactory, and that "Mr. Kearns' visit had signalled a new era in relationships between the two countries."<sup>45</sup>

Sending American economic aid to Yugoslavia would serve three purposes. Self-evidently, it would provide Yugoslav firms with the financing they needed. As Yugoslavia sought to reduce the central government's role in managing the economy, key industries like energy, transportation, and manufacturing would need new lines of credit to stay in operation. Secondly, economic aid would greatly improve relations between Yugoslavia and the United States, shoring up a friendly relationship in a geopolitically vital area of Europe. Thirdly, aid would signal to the Soviet Union that the United States had long term interests in the viability of an economically strong Yugoslavia.

The United States would have to play a delicate balancing act in its dealings with Yugoslavia. It is important to note that the United States at no point was seeking to draw Yugoslavia into a formal alliance. As such, the former wished to avoid giving the latter any notion of such a development. Simultaneously, the United States wanted to aid Yugoslavia just enough to maintain friendly relations with them. Kissinger characterized the precarious balance between aid and commitment to Yugoslavia, writing, "if we approach too closely they will have to move away, as we distance ourselves, they will have to move toward us, that is the almost

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45 Memorandum of Conversation Between Ante Zelic and Henry Kearns, September 4, 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.



physical law of nonalignment.”<sup>46</sup> The other actor which the United States had to consider was the Soviet Union. Should the Soviets perceive closer ties between Yugoslavia and the United States to be threatening, Nixon and Kissinger's detente project could be in jeopardy. Thus, military aid was determined to be unsuitable for American-Yugoslav dealings. The National Security Council Ad Hoc Group for Yugoslavia concluded that “the Soviet Union might view military support to Yugoslavia strictly in the terms in which it is given, or it might interpret this as implying an even greater commitment. Either interpretation could act as a deterrent to overt Soviet military threat against Yugoslavia, or it could elicit overreaction by the USSR.”<sup>47</sup> Jeopardizing the American detente with the Soviets over an aid program to Yugoslavia would simply be counter-intuitive.

The year 1970 was crucial for Eximbank investment in Yugoslavia. Although the aid in this early stage was small compared to later years, the credit extended by Eximbank to Yugoslavia set the precedent for continued, expanded economic ties between the two states. By the end of the 1970 fiscal year, Eximbank announced that it had granted \$5,245,037 in total credits to Yugoslav firms.<sup>48</sup> This included \$1,187,687 to Jugoslovenski Aerotransport, \$321,875 to the Yugoslav Bank for Foreign Trade, and \$3,735,475 to Zeleznicko Transportno Preduzece (Zeleznicke Public Transport Company).<sup>49</sup> According to a memo which Kearns sent to Kissinger that year, the credits covered an expected export value of \$29,000,000.<sup>50</sup> In addition to credits, Eximbank subsidized several Yugoslav infrastructure projects with \$10,712,593 in guarantees,

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<sup>46</sup> Kissinger, *White House Years*, 920.

<sup>47</sup> "Response to National Security Study Memorandum 129, September 13, 1971," U.S. Department of State, , accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d230>.

<sup>48</sup> Export-Import Bank of the United States Fiscal Year Report 1970, FG 112, Box 2, White House Central Files [EX]; Richard Nixon Presidential Library and Museum, Yorba Linda, California. Note: Numbers are not adjusted for inflation. They reflect the real amount of money as it was valued that year.

<sup>49</sup> Export-Import Bank of the United States Fiscal Year Report 1970.

<sup>50</sup> Letter from Henry Kearns to Henry Kissinger on Measures to Promote US Investment in Yugoslavia, October 9, 1970, Yugoslavia Volume II, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

providing the firms with much-needed investment security, should the projects run into problems.<sup>51</sup> These projects included funding a petrochemical plant constructed by Industrija Nafta and a coke oven battery built with parts bought from the US-based Koppers Company.<sup>52</sup> The Yugoslavs responded to the aid package with great favor, and the investment projects sent a strong signal that the Nixon administration was willing to assist their restructuring process. Kissinger reported that he had a successful meeting with Deputy Foreign Secretary Anton Vratosa, during which the latter conveyed that “Yugoslavia is deeply engaged in resolving basic questions of its society to increase stability, strength, and cohesion for the future. This includes economic issues on which [we] are encouraged to count on the understanding and support of the US.”<sup>53</sup> Continued American investments, Vratosa stated, “will strengthen the independent position of Yugoslavia.”<sup>54</sup>

In tandem with promoting the growth of the Yugoslav industrial base, Nixon sought to engage in expanded dialogues with Tito himself. This would allow the two leaders to exchange ideas for further economic engagement, and clearly indicate a high-level US commitment to Yugoslavia’s independence. In July of 1969, Yugoslav foreign minister Mirko Popovic invited Nixon to make an official visit to the country.<sup>55</sup> The President accepted the offer, and scheduled the trip to take place from September 30 to October 2 the following year. Nixon’s trip to

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<sup>51</sup> Export-Import Bank of the United States Fiscal Year Report 1970.

<sup>52</sup> Measures to Promote Investment in Yugoslavia, September 4, 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>53</sup> Dr. Kissinger’s Meeting January 26 with Yugoslav Deputy Secretary for Foreign Affairs Anton Vratosa and Ambassador Bogdan Crnobrnja, January 28 1971, Yugoslavia Volume III, Box 734, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>54</sup> Dr. Kissinger’s Meeting January 26 with Yugoslav Deputy Secretary for Foreign Affairs Anton Vratosa and Ambassador Bogdan Crnobrnja.

<sup>55</sup> “Nixon Invited to Yugoslavia,” *New York Times*, July 30, 1969, , <https://timesmachine.nytimes.com/timesmachine/1969/07/30/110093967.html?action=click&contentCollection=Archives&module=ArticleEndCTA&ion=ArchiveBody&pgtype=article&pageNumber=14>

Yugoslavia in 1970 was the first time an American president visited the country, and it “highlighted US interest in Yugoslavia, visibly demonstrated the mutual goodwill existing in both countries, and gave impetus to succeeding high-level bilateral exchanges and consultations.”<sup>56</sup> Kissinger viewed the visit as “a quite substantial statement of our approach to world affairs,” as it was an early indication of Nixon’s interest “in an evolution in Eastern Europe (and the USSR) which permits a genuine normalization of East-West relations in Europe.”<sup>57</sup> Nixon’s primary objectives for the trip were to “establish effective personal contact with Tito,” “indicate [our] continued interest in Yugoslavia’s progress while accepting its idiosyncratic position,” and “stress your non-acceptance of the Brezhnev doctrine or other rigid ‘spheres-of-influence’ concepts.”<sup>58</sup>

The October 1, 1970 meeting between Nixon and Tito covered a wide array of topics, including the situations in Vietnam, the Middle East, and Algeria. Turning to economic matters, Nixon affirmed that “the US wishes to develop patterns of trade with EE (Eastern European) countries because of its interest in all forms of communication with Yugoslavia and other EE countries. The US believes that the more trade there is with EE countries, the less tension there will be between these countries and the US.”<sup>59</sup> Finally, Nixon emphasized that “Yugoslavia has shown the US the way in which [we] can have profitable trading relations with socialist states despite the difference in social systems,” and as such the United States would continue to support

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<sup>56</sup> NSC Under Secretaries Committee Report on Current US-Yugoslav Relations, May 18, 1973, Yugoslavia Volume III, Box 734 NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>57</sup> "Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, 1970," U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d220>.

<sup>58</sup> "Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, 1970." Note: Nixon placed particular emphasis on these two points, as evidenced by the fact that he underlined them in the document.

<sup>59</sup> "Memorandum of Conversation, October 1, 1970," U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d221>.

“Tito’s leadership in bridging the gap between the two blocs.”<sup>60</sup> Upon returning from his trip, Nixon announced to Congress that the meeting “broadened our ties of cooperation on the basis of mutual interest and a matured respect for our acknowledged differences.”<sup>61</sup> Concerning the growing economic ties stimulated by Eximbank financing, Nixon added that “our trade with Yugoslavia increased by over one third in 1970. The US Export-Import Bank reached agreements with Yugoslavia to increase credit, and extended a loan for Yugoslav purchase of commercial jet aircraft in this country.”<sup>62</sup> The President concluded by expressing his hope that such exchanges would help to open up greater cooperation with Eastern Europe.

Nixon’s meeting with Tito in 1970 set the tone for American aid to Yugoslavia in 1971. Just as political ties between the two countries were deepening, this was the case with their economic ties as well. Kearns wrote to Kissinger that as early as January 8, 1971, Yugoslav firms were soliciting conditional preliminary loans on American-owned goods with a total export value of \$197,676,000.<sup>63</sup> While not all of these loans solicited would go through, this amount was demonstrative of the high demand for American goods in Yugoslavia. In 1970, Eximbank had issued \$5,245,037 in credits to Yugoslav firms, and by July 30, 1971, that amount had gone up to \$33,991,037.<sup>64</sup> Hemijska Industrija Pancevo was the largest recipient of aid that year, receiving \$17,865,000 in credits towards the construction of a new petrochemical complex in

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60 "Memorandum of Conversation, October 1, 1970."

61 The President’s Foreign Policy Report to Congress, February 25, 1971, Country File 169 Yugoslavia, Box 86, White House Central Files Subject Files Countries [Gen], Richard Nixon Presidential Library and Museum, Yorba Linda, California.

62 The President’s Foreign Policy Report to Congress, February 25, 1971..

63 Measures to Promote Investment in Yugoslavia, January 8, 1971, Eximbank FG 112, Box 2, White House Central Files [EX]; White House Central Files Subject Files Countries [Gen], Richard Nixon Presidential Library and Museum, Yorba Linda, California.

64 Export Import Bank of the United States Authorizations in Support of Exports to Yugoslavia, Yugoslavia Volume IV, Box 734, NSC Country Files- Europe, White House Central Files Subject Files Countries [Gen]; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

Pančevo.<sup>65</sup> Other major investments covered the purchase of several new DC-9 jet aircraft for Jugoslovenski Aerotransport, materials for an Iskra-Elektromehanika electronics factory, and American-made oil refining equipment for Industrija Nafta.<sup>66</sup> At the end of the third fiscal quarter in October 1971, Kearns reported that total Eximbank credits issued to Yugoslav firms was \$43,668,000.<sup>67</sup> In one fiscal quarter alone, the amount of credits issued by Eximbank to Yugoslavia had grown by about double the amount issued in 1970.

As mentioned, the primary focus of Nixon's aid policy was to expedite Yugoslavia's economic restructuring during its reform phase, such that the country would survive after Tito. For some time, individuals like Leonhart and Rogers had asserted Tito was Yugoslavia's primary rallying point, as he was a living representation of the country's resistance to Nazi and Soviet aggression. Despite his strength as a symbol, Tito was not immortal. Former Ambassador to Yugoslavia George F. Kennan remarked to Kissinger that Tito was a "choleric, overstrained, 80-year old man" whose death would likely be a pretext for "serious internal disarray in Yugoslavia."<sup>68</sup> The Nixon Administration reasoned that a disintegrating Yugoslavia would create conditions that Moscow would exploit, and from this, establish a permanent Soviet presence on the Adriatic. With this in mind, Nixon directed Kissinger to issue a National Security Study Memorandum (NSSM 129) to "evaluate possible developments in Yugoslavia following Tito's departure."<sup>69</sup> On September 13, 1971, the NSC Interdepartmental Ad Hoc Group for Yugoslavia

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65 Export-Import Bank Fiscal Year Report 1971, Eximbank FG 112, Box 7, White House Central Files [EX]; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

66 Export-Import Bank Fiscal Year Report 1971.

67 Letter from Henry Kearns to Henry Kissinger on Measures to Promote Investment in Yugoslavia, Kearns to Kissinger, October 13, 1971, Yugoslavia Volume III, Box 734, NSC Country Files- Europe, Richard Nixon Presidential Library and Museum, Yorba Linda, California.

68 Letter to Henry Kissinger from George Kennan, April 21, 1973, Country File Yugoslavia, Box 88, White House Central Files [EX], Richard Nixon Presidential Library and Museum, Yorba Linda, California.

69 NSSM 129, June 15, 1971, SRG Meeting Yugoslavia 10/27/1971, Box H-028, NSC Institutional ("H") Files, Meeting Files (1969-1974); Richard Nixon Presidential Library and Museum, Yorba Linda, California.

replied to Kissinger's request for such a study. The Group's major premise was that "the United States and its Western allies have an important stake in an independent, economically viable, and non-aligned but Western-looking Yugoslavia," citing its geographical location as a 'wedge' between Europe's power blocs.<sup>70</sup> The Group postulated that "the future course of events in Europe will be influenced by the men who succeed Tito, and the men who will be watching from Moscow assess US intentions."<sup>71</sup> It recommended the United States continue its present aid policy to Yugoslavia, and that the President should reschedule the country's debt repayments on PL 480 loans, press Congress to exempt the country from restrictions on PL 480 aid, and amend the OPIC charter to allow the corporation to operate there.<sup>72</sup> These measures were necessary during this period of reform, the Group asserted, as "the success of President Tito's federal solution will depend in large measure on a stable economy."<sup>73</sup>

As the response to NSSM 129 had advised, Nixon agreed to reschedule payment on the debts Yugoslavia had accrued under PL 480. Rogers argued that debt rescheduling would "signal to the Yugoslavs, Eastern Europeans, and the Soviets the importance we place on the success of the Yugoslav experiment."<sup>74</sup> Kissinger agreed with this recommendation, writing that this "would help Yugoslavia over a severe balance of payments crisis by increasing [their] reserves from the present dangerously low level. In turn, this would assist her economic stabilization program and

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<sup>70</sup> NSSM 129, June 15, 1971, SRG Meeting Yugoslavia 10/27/1971, Box H-028, NSC Institutional ("H") Files, Meeting Files (1969-1974); Richard Nixon Presidential Library and Museum, Yorba Linda, California.

NSSM 129, June 15, 1971, SRG Meeting Yugoslavia 10/27/1971, Box H-028, NSC Institutional ("H") Files, Meeting Files (1969-1974); Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>71</sup> Statement of US Interest in Yugoslavia, SRG Meeting Yugoslavia 10/27/1971, Box H-028, NSC Institutional ("H") Files, Meeting Files (1969-1974); Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>72</sup> US Policy and Post-Tito Yugoslavia, September 13, 1971, SRG Meeting Yugoslavia 10/27/1971, Box H-028, NSC Institutional ("H") Files, Meeting Files (1969-1974); Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>73</sup> US Policy and Post-Tito Yugoslavia.

<sup>74</sup> Financial Assistance to Yugoslavia, April 21, 1971, Yugoslavia Volume II, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

thereby allow her to continue the economic reforms.”<sup>75</sup> Nixon approved the recommendation of his two aides, postponing the \$59,000,000 debt to a ten-year payment plan set to begin in 1973.

Nixon also sought to amend the restrictions on OPIC enterprise in Yugoslavia. While Eximbank activities up to this point had focused on providing Yugoslav firms with lines of credit to buy American goods, OPIC would work to insure American firms doing business in Yugoslavia. As previously mentioned, OPIC was not permitted to do business in Yugoslavia, but Nixon wanted to change this. The NSC concluded that if the President amended these restrictions, “direct US investments in Yugoslavia could rise dramatically from their present level of \$159,000.”<sup>76</sup> Kissinger wrote a similar memo to the President. He argued that Eximbank would be able to operate more effectively in Yugoslavia if “the US government consider[ed] investment guarantees and insurance facilities for private equity investments in Yugoslavia.”<sup>77</sup> Taking Kearns’ and Kissinger’s recommendations, Nixon authorized Kissinger to seek “Congressional action to eliminate present legislative restrictions on the issuance of investment guarantees and insurance for projects in Yugoslavia.”<sup>78</sup> On Nixon’s orders, Under Secretary of State for Economic Affairs, Nathaniel Samuels wrote to Senator Jacob Javits, a member of the Senate Foreign Relations Committee. Samuels stated, “as a director of OPIC, I believe that the extension of OPIC programs to Yugoslavia and Romania should expand American investment measurably, thereby strengthening our commercial and official ties with these important

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75 Financial Assistance to Yugoslavia, May 3, 1971. Yugoslavia Volume II, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

76 US Policy and Post Tito Yugoslavia, September 13, 1971. Yugoslavia Volume II, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

77 Encouragement of US Investment in Yugoslavia, May 7, 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

78 Measures to Promote Investment In Yugoslavia, April 2, 1970, Yugoslavia Volume I, Box 733, NSC Country Files- Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

countries.”<sup>79</sup> Javits expressed his approval of the plan and sent a draft of the proposed amendment to Nixon. The resulting ‘Javits Amendment’ to the Foreign Relations Act of 1961 stated that OPIC would be authorized to work in a nation if the President “determines that the operation of such programs in a particular country is important to the national interest.”<sup>80</sup> The bill passed just as the year closed out, and OPIC’s president, Bradford Mills, wrote to Nixon that “the Foreign Assistance Act of 1971, enacted January 25, 1972, contains an amendment...which removes all legal restrictions from the operations in Yugoslavia.”<sup>81</sup> With the OPIC charter amended, Nixon signed a presidential determination on March 16, 1972, which deemed insurance for American firms in Yugoslavia to be in the national security interest of the United States.<sup>82</sup>

Nixon invited Tito to visit the United States on October 28, 1971. Foreign Secretary Mirko Tepavac conveyed to Leonhart that the difficulty of fixing a date had come about as a result of “new constitutional amendments for collective presidency” and “a major reshuffle of senior government and party posts.”<sup>83</sup> Moreover, this visit came on the heels of Leonid Brezhnev’s trip to Belgrade. Yugoslav Ambassador to the United States, Bogdan Crnobrnja, remarked to Kissinger that the reason Brezhnev visited on such short notice had been “because of Yugoslavia’s opening to China and its improved relations with the US, as well as the

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<sup>79</sup> Letter from Nathaniel Samuels to Senator Jacob Javits, Yugoslavia Volume III, Box 734, NSC Country Files-Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>80</sup> Establishment of OPIC Programs in Yugoslavia and Romania, Yugoslavia Volume III, Box 734 NSC Country Files Europe; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>81</sup> OPIC’s Programs for Yugoslavia and Romania, January 28, 1972, Overseas Private Investment Corporation March 1969- February 1974, Box 368, NSC Subject Files; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>82</sup> Presidential Determination Authorizing OPIC Operations in Yugoslavia, March 16, 1972, Overseas Private Investment Corporation March 1969-February 74, Box 368, NSC Subject Files; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>83</sup> Presidential Determination Authorizing OPIC Operations in Yugoslavia.



Romanians and Albanians.”<sup>84</sup> In their meeting, Tito and Nixon conversed about Brezhnev's visit to Belgrade. Tito stated that “while earlier the Soviets would not have been at all happy about his going to the United States, now not only had they raised no objection but Brezhnev had also asked that the Soviet desire for good relations with the U.S. be conveyed to the President. This was also a sign of change in the Soviet policy.”<sup>85</sup> This amounted to Soviet moderation in the face of greater Yugoslav-American cooperation, both through diplomatic exchanges and increased economic ties. Overall, Tito had stated the meeting with Brezhnev had been positive, and “that the USSR and Yugoslavia were dealing with each other as two sovereign states and that Yugoslavia had the right to develop its own social system.”<sup>86</sup>

Nixon assured Tito that the United States was working very hard to promote investment in his country, and “if President Tito could influence other socialist states to make arrangements similar to those in Yugoslavia, trade with those states would go up.”<sup>87</sup> When the meeting concluded, Tito expressed satisfaction with the conversation, remarking that all people of Yugoslavia “wanted good relations with the United States, relations which had been a tradition in the history of both countries, and also as good as possible relations with other great powers.”<sup>88</sup> The two leaders’ joint communique issued following the meeting was the result of two years’ worth of delicate diplomacy. In the statement, the two leaders affirmed that friendly relations between their countries were “not only in the interest of the peoples of their two countries but constituted a significant factor for stability and peace in Europe and elsewhere in the world.”<sup>89</sup>

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84 "Memorandum for the Record, September 13, 1971," U.S. Department of State, accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d231>.

85 "Memorandum for the President's File, October 28, 1971," U.S. Department of State, , accessed May 15, 2019, <https://history.state.gov/historicaldocuments/frus1969-76v29/d232>.

86 "Memorandum for the President's File, October 28, 1971."

87 "Memorandum for the President's File, October 28, 1971."

88 "Memorandum for the President's File, October 28, 1971."

89 Joint Communique Following Meetings Between the President and Josip Broz Tito President of the Socialist Federal Republic of Yugoslavia, October 30 1971, Yugoslavia Volume III, Box 734, NSC Country Files- Europe;

Nixon reported to Congress that the meeting had been a success, as he and Tito “resolved to continue our high-level exchanges and to broaden the scope of our economic ties,” and that continued friendship was necessary “for peace and stability in Europe, the Mediterranean, and the Middle East.”<sup>90</sup>

### **The Limits of Non-Alignment**

While 1972 was an exceptionally strong period for relations between the United States and Yugoslavia, that year also saw the Soviets take a more active role in the Balkans. In a striking reversal of Soviet policy, Brezhnev’s regime began to seek reconciliation with Tito rather than confrontation. The combination of Nixon’s 1970 visit to Yugoslavia and the American overtures to China had been instrumental in pushing Brezhnev to repair relationships with other independent communist regimes.<sup>91</sup> With those two communist states apparently ‘tilting’ West, the Soviet Union was inclined to shore up relations with Belgrade rather than antagonize them. Malcolm Toon, the new American ambassador to Yugoslavia, reported that over the past year, “the Yugoslav-Soviet relationship had warmed up, but as a result of change in Soviet behavior, not in Yugoslav behavior.”<sup>92</sup> Additionally, Stane Dolanc, a member of the Yugoslav Presidium, informed Toon that since Brezhnev’s visit, “military pressure from Soviets in the Balkans is generally at [a] low point,” owed to the “economic as well as inter-Party relations [which] have developed steadily since Brezhnev visit.”<sup>93</sup> On the one hand, it was a positive development that

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Richard Nixon Presidential Library and Museum, Yorba Linda, California

<sup>90</sup> The President’s Foreign Policy Report to Congress, February 9, 1972, Country File 169 Yugoslavia, Box 86, White House Central Files Subject Files Countries [Gen]; Richard Nixon Presidential Library and Museum, Yorba Linda, California.

<sup>91</sup> “Memorandum of Conversation between Ambassador Micunovic and Secretary Brezhnev held on August 10, 1971,” August 13, 1971, History and Public Policy Program Digital Archive, Arhiv Jugoslavije (AJ), Kabinet Predsednika Republike (KPR), fond 837, Foreign visits, I-3-a/101-131 (Brezhnev). Obtained and translated by Milorad Lazic. <https://digitalarchive.wilsoncenter.org/document/175848>

<sup>92</sup> “Memorandum of Conversation, Washington, February 15, 1974, 3:09-3:30 P.M.,” U.S. Department of State, accessed February 27, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d67>.

<sup>93</sup> “Memorandum of Conversation, Washington, February 15, 1974, 3:09-3:30 P.M.”

the possibility of intervention by the Soviets had waned. On the other hand, it was also taken as an indicator of greater Soviet influence over Yugoslav politics. The CIA reported that “the Soviets have at least temporarily patched up their differences with Tito and are using this opening to jockey for better position in the post-Tito Yugoslavia,” adding that “in return for large development credits, Moscow recently joined the West in gaining the right to bypass federal authorities and deal directly with local enterprises.”<sup>94</sup> Repeated high-level diplomatic exchanges, coupled with joint scientific, economic, and cultural agreements, had proven satisfactory to the Yugoslavs, laying “a firm foundation for the further growth of trade.”<sup>95</sup> From the perspective of the United States, the Soviets were attempting to gain “political leverage to isolate or woo” Yugoslavia, expanding their trade ties “enough to make economic manipulation a significant policy option for the USSR.”<sup>96</sup> Indeed, the Soviets were using methods not unlike the United States in this regard, agreeing in 1972 to the sale of surplus petroleum and coke, the granting of construction credits for metallurgy facilities, and the lowering of trade barriers between the two states.<sup>97</sup> Through such actions, the Soviet Union had begun to demonstrate that it was receiving the subtle signals the Nixon Administration was sending through economic aid to Yugoslavia. Not only had the Soviets sought to cultivate better relations with Tito, but they had also started to mimic the policy employed by the United States.

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94 “Weekly Report,” Central Intelligence Agency, October 13, 1972, Freedom of Information Act Electronic Reading Room.

95 “Communique on Talks between Soviet Foreign Ministers ‘in a sincere and friendly atmosphere ’”, February 1971, collected in Steven Clisson, *Yugoslavia and the Soviet Union, 1939-1973: A Documentary Survey*, Royal Institute of International Affairs by Oxford University Press (1975), 301.

96 A. Ross Johnson and Arnold L. Horelick, “Communist Political Succession” (Santa Monica, CA: Rand Corporation, 1972), 27.

97 Hedrick Smith, “Tito is Welcomed in Soviet Warmly” *The New York Times* (*The New York Times*, June 6, 1972), <https://www.nytimes.com/1972/06/06/archives/tito-is-welcomed-in-soviet-warmly-yugoslav-leader-is-hailed-at.html>

Still, the Nixon Administration remained doubtful of the Soviet ability not only to repair relations through financial ‘carrots’ but also Moscow’s ability to manipulate the country’s economy through closer trade relations. In line with Toon’s analysis, the CIA argued that the Soviets knew “that there is no longer any pro-Russian faction in the Yugoslav party” and that “Moscow also knows better than anyone else that the Soviet-Yugoslav rapprochement this year is almost entirely the consequence of initiatives on the Soviet side and *not* the result of any change by Tito.”<sup>98</sup> The secondary goal of Soviet economic aid towards Yugoslavia, developing levers through which the Soviets could influence policymaking in the country, was also evaluated to be minimal, at best. A CIA analysis contended that even with Brezhnev’s overtures, “the means available to Moscow to further their objectives are in any event quite limited.”<sup>99</sup> The Agency further contended that “Soviet economic leverage is not great- especially in the view of the probable Western willingness to help in times of Yugoslav need- and Moscow has often found it to be an ineffective instrument of pressure in any case.”<sup>100</sup> In sum, the developments of 1972 gave rise to a new dynamic in Yugoslavia’s Cold War diplomacy as Belgrade was apparently playing both sides to maximize the aid it could get. Content to milk Soviet friendship initiatives at face value, the Yugoslavs appeared to have no intention of aligning with their socialist rival in the North. Taking money from both sides, however, was perfectly suited to Yugoslav goals.

The American side’s response was not only to maintain American aid to Yugoslavia, but to increase it. Total Eximbank credits in Yugoslavia continued their upward trend in 1972, with the Bank issuing \$48,942,523 in total credits to several Yugoslav firms.<sup>101</sup> These credits included

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98 “Memorandum: Tito’s Time of Troubles,” Central Intelligence Agency, November 17, 1972, Freedom of Information Act Electronic Reading Room.

99 “Yugoslavia: An Intelligence Appraisal, Response to NSSM 129,” Office of National Estimates, Central Intelligence Agency, July 27, 1971, Freedom of Information Act Electronic Reading Room.

100 “Yugoslavia: An Intelligence Appraisal, Response to NSSM 129.”

101 “Fiscal Year-End Report - Export-Import Bank of the United States, FY1972,” Export-Import Bank of the United States, (Washington DC, 1972), 42-43.

funding for electronics equipment, the construction of a rolling mill plant in Smederevo, a multitude of electric locomotives, and six DC-9 jumbo jets for Jugoslovenski Aerotransport.<sup>102</sup> With medium and short term insurance, Eximbank's total capital investment in Yugoslavia that year came to \$153,048,694, the highest amount of exposure which the Bank ever invested in Yugoslavia.<sup>103</sup>

Compounded with the credits Yugoslavia had received in 1970 and 1971, American investment in Yugoslavia was showing concrete returns by 1972. "Pressure on the Yugoslav economy has been eased now that a balance of payments crisis has been averted," the CIA reported, "once again the US and other Western nations are providing the necessary assistance by granting new hard currency credits and by rescheduling existing debt payments."<sup>104</sup> Overall, the CIA found that Yugoslavia's economy was performing markedly better than it had in 1971, as the gap between the country's export earnings and its import expenses was closing.<sup>105</sup> By every metric, the areas of Yugoslav industry which Eximbank most heavily subsidized (mining, chemical, textile, and petroleum) were performing better than they had pre-1970.<sup>106</sup> That considered, Yugoslavia still ran a considerable deficit when it came to its trade balance. By 1972, its total exports grew to \$2.421 billion (up from \$1.678 in 1970 when Eximbank began issuing credits), but the country spent as much as \$3.233 billion on imports.<sup>107</sup> While the economy was undoubtedly strong, none of these statistics demonstrated that Yugoslavia was any more

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102 "Fiscal Year-End Report - Export-Import Bank of the United States, FY1972," 42-43.

103 "Export- Import Bank of the United States Authorizations in Yugoslavia, Romania, Russia, and Poland July II 1974," White House Central Files, Subject Files, EX CO 169 Yugoslavia, Richard Nixon Presidential Library and Museum, Yorba Linda, CA.

104 "Intelligence Memorandum- The Yugoslav Economy: Off the Critical List?," Central Intelligence Agency, March 1972, Freedom of Information Act Electronic Reading Room.

105 "Central Intelligence Bulletin," Central Intelligence Agency, July 7 1972, Freedom of Information Act Electronic Reading Room.

106 "OECD Economic Surveys: Yugoslavia," Department of Economics and Statistics, Organization for Economic Co-operation and Development, April 1975, 51.

107 "OECD Economic Surveys: Yugoslavia," 61.

economically self-sufficient than it had been in previous years. Rather than foreign investment increasing Yugoslavia's financial independence, the country found itself increasingly beholden to Western creditors and the markets they represented.

The trend of high American investment in Yugoslavia continued throughout 1973. That year, the Eximbank invested a sum of \$119,935,381 in Yugoslavia.<sup>108</sup> This investment made it the fourth-largest recipient of Eximbank financing that year. Of that amount, the majority of this funding went to the construction of two steel mills in Zenica, the purchasing of high-end equipment for a copper mining facility constructed by Rudarsko-Top Ionicarski Basen, and funding for Hemijska Industrija's petrochemical plant in Pancevo.<sup>109</sup> Equally important to foreign aid, on January 19, 1973, Ambassador Toon and Yugoslav Finance Secretary Janko Smole signed an agreement that authorized OPIC to begin operations in the country.<sup>110</sup> The development was nothing less than groundbreaking, as Yugoslavia became the first communist state to receive OPIC funding for investment projects. "For more than thirty years Eastern Europe has been virtually isolated from US direct investment," OPIC President Mills stated, "we sincerely hope that the bilateral agreement signed in 1973 enabling us to operate in Yugoslavia will prove most beneficial for all parties concerned."<sup>111</sup> With a combination of political risk insurance, financing, and investment studies, OPIC sought to attract American business investment in Yugoslavia. Industrial Flavors and Fragrances (IFF) was the first American firm to sign a joint-ownership agreement with Yugoslavia using OPIC insurance, and the Corporation agreed to provide \$1.3

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108 "Fiscal Year-End Report - Export-Import Bank of the United States, FY1973," Export-Import Bank of the United States, Washington DC (1973), 51.

109 "Fiscal Year-End Report - Export-Import Bank of the United States, FY1973," 51.

110 Raymond H. Anderson, "U.S. Signs Accord to Help Investment in Yugoslavia," *The New York Times* (*The New York Times*, January 19, 1973), <https://www.nytimes.com/1973/01/19/archives/us-signs-accord-to-help-investment-in-yugoslavia-us-yugoslavia-sign.html>)

111 "Investing in Yugoslavia with OPIC Assistance," Overseas Private Investment Corporation, Indiana University Library (1973), i.

million in securities for IFF operations. OPIC's insurance guarantees helped attract firms such as Dow Chemical, Chemtex, United Technologies Corporation, and Motorola, which otherwise would have been reluctant to invest in an economically uncertain market like Yugoslavia.<sup>112</sup> In addition to opening up greater markets in service of the American economy, these firms would provide the Yugoslavs with new jobs, outlets for the purchase of Western goods, and tax revenue for the central government.

Despite what had been a strong initial relationship between the two countries, by late 1973, Yugoslav-American relations began to show signs of serious ideological conflict. Indeed, the rupture between the two countries threatened to end the Nixon Administration's aid policy with the country during this period. While the United States had agreed to accept Yugoslavia's non-aligned position, for the time being, it was natural that the world's capitalist superpower would experience difficulties working with a staunchly independent socialist regime in the Balkans. One of the earliest warnings the Administration received came from George Kennan, the father of 'containment' and former ambassador to Yugoslavia, who wrote to Kissinger that Tito was no "friend" of the United States.<sup>113</sup> In a particularly clairvoyant statement, Kennan surmised that Tito "wants to have his cake and eat it too. He wants good bilateral relations with us, but he wants also to retain the privilege of commending himself to his African, Arab, and East Asian friends, not to mention the Russians, by joining in the chorus of attacks on 'American imperialism'."<sup>114</sup> At several points in the Nixon presidency, the Yugoslavs had indeed been

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112 John R. Lampe, Russell O. Prickett, and Adamović Ljubiša S., *Yugoslav-American Economic Relations since World War II*, (Durham: Duke University Press, 1990), 131.

113 "Memorandum for Participants in Economic Talks," White House Central Files, Subject Files, EX CO 169 Yugoslavia, Richard Nixon Presidential Library and Museum, Yorba Linda, California.

114 "Memorandum for Participants in Economic Talks."

critical of US policy in Cambodia, Chile, and Panama. The same could be said for much of the world, including those countries which the US considered allies.<sup>115</sup>

The outbreak of the Yom Kippur War in 1973 was the event that led to the most serious crisis in US-Yugoslav relations. Tito had long been a close partner with Egypt in the Non-Aligned Movement (NAM), and he considered its president, Anwar al-Sadat, to be a personal ally. When Syria joined Egypt in attacking Israel on October 5th of that year, Belgrade joined Moscow in both rhetorical and material support to the aggressors. As Tito stated regarding support for the Arab cause: “We are not formally members of the Warsaw Pact. But if the cause of socialism, communism, and the working class should be endangered, we shall know where we stand. We hold our aims in common with the Soviet Union.”<sup>116</sup> While opposed to Soviet pressure on his own country, Tito could not pass up the opportunity to aid in what was seen as a war of national liberation, regardless of which side the Soviets were on. For their part, the Yugoslavs provided ammunition and weapons to the Egyptian forces, using the cover of ‘humanitarian aid’ to run supply convoys to Cairo.<sup>117</sup> American policymakers considered Yugoslavia’s aid to Egypt to be in direct conflict with American interests in the region, given the threat which wartime arms shipments posed to Israel. This was not simply a point of ideological contention, but an apparent challenge to American power in the Eastern Mediterranean. To shore up his position in the NAM, Tito appeared to be making a diplomatic about-face, going as far as to denounce the American policy towards Israel as imperialist and “gangster” in nature. Yugoslavia’s Foreign

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115 “Telegram 200523 From the Department of State to the Embassy in Yugoslavia, October 10, 1973, 0120Z,” U.S. Department of State, accessed February 27, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d64>.

116 Josip Broz Tito quoted in Neil Barnett, *Tito*, (London: Haus, 2006), 116.

117 “Talking Points for Meeting with President of the Yugoslav Assembly Peko Dapčević, April 28, 1976,” White House Central Files, CO 169: Yugoslavia, Box 60 1976, Ford Library, Ann Arbor. Yugoslavia also had shipped a great deal of T-55A tanks to Egypt over the course of the war, as outlined in Charlie Gao, “Meet the T-72MJ: A Tank with Russian and Western DNA,” *The National Interest* (The Center for the National Interest, February 3, 2020), <https://nationalinterest.org/blog/buzz/meet-t-72mj-tank-russian-and-western-dna-90306>



Ministry stood by these claims, affirming that “as long as Arab countries are exposed to aggression, Yugoslavia will... provide moral, political, and materiel support, including the facilities which the Arab countries request from us.”<sup>118</sup> The CIA reported that such conduct “will inevitably cause tensions in Yugoslav-US relations. In weighing his commitment to nonalignment against relations with Washington, however, [Tito] apparently is confident that differences with the US can be solved after the crisis.”<sup>119</sup>

The uproar in Washington came swiftly, and the first avenues of pressure against Yugoslavia were determined to be economical. Walter Stoessel, the Assistant Secretary of State for European affairs, sent a telegram to Kissinger in which he outlined “possible actions which we might consider undertaking to induce the Yugoslavs to be more mindful of our interests when they are contemplating taking ‘non-aligned’ positions in non-European areas.”<sup>120</sup> The possible responses which Stoessel proposed included ending OPIC guarantees for US investments, revoking Yugoslavia’s status as a ‘most favored nation’ trading partner, and a general curtailing of government credits and loans directed towards Yugoslav industry.<sup>121</sup> In short, what Stoessel was proposing to Secretary of State Kissinger was a complete withdrawal from the programs which Nixon was using to build a partnership with Yugoslavia.<sup>122</sup> The Department of Defense made the most headway in punishing Yugoslavia, with Secretary James Schlesinger ordering “until such time that a determination is made that the Yugoslav Government takes actions which

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118 “Yugoslavia and the War,” Central Intelligence Agency, 1973, Freedom of Information Act Electronic Reading Room.

119 “Yugoslavia and the War,” Central Intelligence Agency, 1973, Freedom of Information Act Electronic Reading Room.

120 “Action Memorandum From the Assistant Secretary of State for European Affairs (Stoessel) to Secretary of State Kissinger, Washington, October 3, 1973,” U.S. Department of State, accessed February 25, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d63>).

121 “Action Memorandum From the Assistant Secretary of State for European Affairs (Stoessel) to Secretary of State Kissinger, Washington, October 3, 1973.”

122 Kissinger held dual roles as National Security Advisor and Secretary of State beginning on September 22, 1973.

are compatible with U.S. national security interests, the Secretary directs that all DOD actions for closer cooperation with Yugoslavia be suspended.”<sup>123</sup> At this juncture, Yugoslav-American partnership appeared to be falling apart, and the economic program which Nixon had helped initiate hung in the balance.

Amid the conflict in the Middle East, There were still efforts within the Administration to salvage the US-Yugoslav relationship. On October 10th, Stossel convened a meeting with Ambassador Granfil to discuss Yugoslavia’s upsetting actions amid the crisis in the Middle East. Unsurprisingly, Granfil reported that “differences between [the] US and Yugoslavia...were inevitable,” but added that despite this, relations with the US were “basically good.”<sup>124</sup> Moreover, Yugoslavia’s policies may have run counter to the United States in this instance, but Granfil declared that Yugoslav policy was not inherently anti-US. Stoessel recommended that Ambassador Toon continue to prod Yugoslav leadership to moderate and explain their position. At a meeting with Deputy Federal Secretary Jaksa Petric in Belgrade, Toon urged the Yugoslav government to “refrain from statements and actions which could only exacerbate situations already fraught with danger and raise international tensions generally,” specifically in regards to the current crisis in the Middle East.<sup>125</sup> Petric, for his part, moved to assure Toon that “no Yugoslav policy or action could be characterized objectively as anti-American; Yugoslav policies

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123 “Telegram 200523 From the Department of State to the Embassy in Yugoslavia, October 10, 1973, 0120Z,” U.S. Department of State, accessed February 25, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d64>

124 “Memorandum From the Military Assistant to the Secretary of Defense (Wickham) to the Assistant Secretary of Defense for International Security Affairs (Hill), Washington, October 17, 1973,” U.S. Department of State (U.S. Department of State), accessed February 25, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d65>.

125 “Memorandum of Conversation, Belgrade, October 19, 1973, 9-9:45 a.m.,” U.S. Department of State, accessed February 25, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d66>).

and actions were cast and implemented in terms of Yugoslavia's national interests which admittedly, on occasion, might not coincide with United States national interests.”<sup>126</sup>

Despite offering few apologies on account of Yugoslav conduct, Petric managed to clarify recent Yugoslav actions and explain them within the framework of non-alignment. Instead of rebuffing Toon, Petric focused on reiterating Yugoslavia's continued adherence to the terms agreed upon in the 1971 Nixon-Tito Communique.<sup>127</sup> This was both a subtle urging for the United States to accept an independent Yugoslav foreign policy, but also a tacit affirmation that Yugoslavia saw the United States as a partner it did not wish to lose. By November 25th, the Yom Kippur War's combatants had signed a ceasefire, thus eliminating the most contentious geopolitical issue between the US and Yugoslavia. Three days later, Toon relayed back to Kissinger that his meeting with Petric and Stoessel's meeting with Granfil had been instrumental in clarifying the Yugoslav perspective of its relationship with the United States. “The problem has eased somewhat due in part to frequent and frank high-level US-Yugoslav discussions on the Middle East,” he informed Kissinger, “with the likely collateral benefit that the Yugoslavs have had further indications of the limits of our tolerance when our vital interests are involved.”<sup>128</sup>

The Kissinger-chaired NSC concluded that “recent instances in which Yugoslav policy actions were at odds with a US objective... have their causation in an atmosphere created by the Yugoslav leadership's perception of their internal political requirements as the country prepares for the difficulties of the Tito succession, and their need to appear a leading member of the non-

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126 “Telegram 77815 From the Department of State to the Embassy in Yugoslavia, April 17, 1974, 1726Z,” U.S. Department of State, accessed February 25, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d68>).

127 “Telegram 77815 From the Department of State to the Embassy in Yugoslavia, April 17, 1974, 1726Z.”

128 US Department of State, “European Chiefs of Mission Meeting: Personal Assessment by Ambassador: Yugoslavia,” November 28, 1973, US Embassy Belgrade, CIA Virtual Reading Room.

aligned nations.”<sup>129</sup> Ambassador Toon was of the same mind, as he suspected that Tito was attempting to satiate radicals within his administration, and not intentionally trying to undermine American foreign policy. Thus, the NSC judged that the United States would have to ‘put up’ with Yugoslav posturing on occasion, as differences in ideology were the price that had to be paid for long term cooperation. Summarily, the NSC affirmed that “insofar as US-Yugoslav relations are concerned, Yugoslav policy calls for continuing good relations with the US especially in the economic area, with energetic private assurances that ideology has only minimal effects, and in the evident conviction that US goodwill can be counted on.”<sup>130</sup> The NSC report reiterated that the guiding principle behind US-Yugoslav relations remained a commitment to “the continued existence of a stable, independent, non-aligned and economically viable Yugoslavia.”<sup>131</sup> The NSC Under Secretaries Committee asserted a similar point, stating that “[recent] differences should not be allowed to obscure the larger US interest in the continued independence and unity of Yugoslavia, particularly at a time when Yugoslavia undergoes the stresses and strains of strengthening its institutions in preparation for the inevitable departure of Tito from the scene.”<sup>132</sup> Rather than reflecting a genuine hostility to US interests abroad, Yugoslav officials were attempting to maintain credibility with the non-aligned world (and their government) while Tito seemed to be drifting into the West’s influence.

For the time being at least, US-Yugoslav relations had been pulled from disaster. The key lesson which the United States drew from this exchange was that dealing with non-aligned nations had its limits. As Kissinger wrote concerning the ‘physical nature of non-alignment,’

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129 “Report on Current Status of US-Yugoslav Relations, 1973,” White House Central Files, Subject Files, EX CO 169, Yugoslavia, Richard Nixon Presidential Library and Museum, Yorba Linda, CA.

130 “Report on Current Status of US-Yugoslav Relations, 1973,” White House Central Files, Subject Files, EX CO 169, Yugoslavia, Richard Nixon Presidential Library and Museum, Yorba Linda, CA.

131 “Report on Current Status of US-Yugoslav Relations, 1973.”

132 “NSC Under Secretaries Committee Subject: US-Yugoslav Relations May 18, 1973,” White House Central Files, Subject Files, EX CO 169 Yugoslavia, Richard Nixon Presidential Library and Museum, Yorba Linda, CA.

nations like Yugoslavia would not accept total complicity with superpower foreign policy, whether it be Soviet or American. Instead, the United States would have to recognize that in the current geopolitical climate, Washington could not expect its nominal allies to unconditionally support American grand strategy. As such, there would be no economic penalties placed on Yugoslavia, nor would the United States alter its commitment to an independent, economically stable, and non-aligned Yugoslavia.

### **Conclusion**

The year 1974 provides a clear end to Nixon's 'opening' to Yugoslavia. On February 21, 1974, Yugoslavia adopted its fourth constitution. The decision to reform the nature of the Yugoslav state was informed by the desire to achieve a more stable economy, address the competing political desires of its constituent republics, and ideally, hold together the delicate ethnic balance which Tito helped maintain.<sup>133</sup> The resulting document was one of the longest, most complex constitutions in European history, committing above all else to the concept of "worker's self management" which Edvard Kardelj had championed for years. On August 9th, 1974, Nixon resigned the office of President of the United States following the cover-up of the Watergate break-in. The same day as Nixon's resignation, Gerald Ford assumed the office of President. At least in theory, these large shifts in leadership should have altered the relationship between the two countries a fair bit. However, the events of 1974 demonstrated the durability of the relationship which Nixon had a hand in crafting.

Indeed, 1974 continued the trend of favorable US-Yugoslav economic relations. That year, Eximbank invested the highest amount of money it had ever committed to Yugoslavia, a

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<sup>133</sup> Report on the Final Draft of the SFRY Constitution, Mijalko Todorovic, President of the Federal Assembly and Chairman of the Joint Constitutional Commission of all the Chambers of the Federal Assembly, made at the Session of the Chamber of Nationalities held on January 22, 1974.

total of \$376.9 million in loans.<sup>134</sup> This amount made Yugoslavia the top recipient of Eximbank funds for the 1974 fiscal year. Included in this aid package were funds for the construction of a copper wire facility in Zenica, the expansion of an aluminum plant in Skopje, and most notably, the creation of a nuclear power plant in Krsko, with components purchased from the American Westinghouse Electric Corporation.<sup>135</sup> As facilitated by Eximbank and OPIC funding, total US-Yugoslav trade had increased substantially since the beginning of Nixon's aid program.

Ambassador Toon sent Kissinger a telegram ahead of the Secretary's visit to Yugoslavia, wherein he affirmed that "we are pleased that US-Yugoslav trade is increasing rapidly and that there has been gradual growth in joint ventures and industrial cooperation. Both countries desire further expansion."<sup>136</sup> While the total value of US-Yugoslav trade had amounted to \$264.1 million in 1970, by 1974, Yugoslav Prime Minister Djemal Bzjedic estimated that it now valued around "\$650-700 million both ways."<sup>137</sup> Stemming in part from greater American investments, the Yugoslav economy appeared to be performing very well. A 1974 OECD analysis of the Yugoslav economy reported such a development, noting an increase in consumer purchasing power, a rise in real wage earnings, and a 10.2 percent improvement in industrial output since the beginning of the year.<sup>138</sup>

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134 Leo Kuus, "Marketing in Yugoslavia". US Department of Commerce, *Overseas Business Reports*. December 1975. Washington, DC: US Government Printing Office, 1; Robert S. Rendell, "Eximbank Assistance to Trade and Investment in Eastern Europe," *The International Lawyer*, Volume 10, no. 1, (Winter 1975), pp. 79-84, 81.

135 "Fiscal Year-End Report- Export-Import Bank of the United States, FY 1974," Export-Import Bank of the United States, Washington DC (1974), 22; "1974-06-24 EXIM Bank Press Release," EXIMBANK Digital Archives, accessed March 23, 2020, <https://www.digitalarchives.exim.gov/digital/collection/ExImPR01/id/4568>.

136 "Memorandum of Conversation," November 4, 1974, Foreign Relations, 1969-1976, Volume E-15, Documents on Eastern Europe, 1973-1976, <https://2001-2009.state.gov/r/pa/ho/frus/nixon/e15/107806.htm>.

137 "Memorandum of Conversation, Belgrade, November 4, 1974, 11:32 a.m.-12:05 p.m.," U.S. Department of State, accessed March 23, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d70>; US Congress, "Reorientation And Commercial Relations Of The Economies Of Eastern Europe: A Compendium Of Papers Submitted To The Joint Economic Committee Congress Of The United States," August 16, 1974, United States Senate Virtual Reference Desk, 28.

138 "OECD Report for Yugoslavia April 1974," "Organization for Economic Development.

Bilateral relations between the two countries remained stable alongside economic trends. In fact, the Yugoslavs had begun to make concerted efforts to ensure that a fracture on the level of 1973 would not occur again. At a meeting with Ambassador Toon in February 1974, Granfil expressed regret for the momentary breach in US-Yugoslav relations, and went on to affirm that Tito wanted “no conflict with [the] US.” Additionally, he assured Toon that Tito was personally moving to restrain some of the more radical individuals responsible for the crisis in the first place, expressing hope there would be no repetition of Yugoslavia's blatant disregard of vital US interests. Secretary Kissinger paid a visit to the country in November that year, meeting with Prime Minister Bzjedic to discuss US-Yugoslav relations. In Bzjedic's words, relations between the two states were “developing very well in a spirit of friendship,” and that in order to redress its economic concerns, Yugoslavia considered the United States “one of the most serious partners” in this regard.<sup>139</sup> Additionally, President Ford continued to support the strong US-Yugoslav relationship cultivated by his predecessor, making an official state visit to the country in late 1974. Both leaders expressed the current relationship as satisfactory, with President Ford being confident enough to state his belief that relations between the two states were “excellent.”<sup>140</sup>

The continuity between the Nixon and Ford Administrations was best reflected in the joint statement issued after the President concluded his meeting with Tito. The resulting August 4th 1974 statement re-affirmed both American and Yugoslav commitment to the principles of the 1971 joint statement drafted under the Nixon Administration. Most notably, the statement publically reiterated the “steadfast interest of the United States and its support for the

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139 “Memorandum of Conversation, Belgrade, November 4, 1974, 11:32 a.m.-12:05 p.m.,” U.S. Department of State, accessed March 23, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d70>

140 “Memorandum of Conversation, Belgrade, August 3, 1975, 7:35-9 p.m.,” U.S. Department of State, accessed March 23, 2020, <https://history.state.gov/historicaldocuments/frus1969-76ve15p1/d73>.

independence, integrity, and nonaligned position of Yugoslavia.”<sup>141</sup> The wording in this section of the joint statement tread on familiar ground, as these were the same points which the Nixon Administration’s NSSM 129 had outlined in 1971. Far from representing a break from the Nixon-era strategy towards Yugoslavia, the Ford Administration followed in the footsteps of its predecessor, committing itself to a long term partnership which would last the rest of the Cold War.

It is difficult to say whether or not American economic aid was the sole factor in aiding Yugoslavia’s economic and political restructuring programs. What is much easier to demonstrate is that the aid had a tangible benefit on the country as it entered its reform phase. By every metric, the Yugoslav economy was doing better in 1974 than it had in 1969, with American investment providing the impetus for growth in key sectors, such as mining, energy, chemical, and transportation. The aid which the Nixon Administration furnished to Yugoslavia helped to promote trade between the two countries, ease the financial burden on Belgrade, and ultimately, integrate the country into global markets.

In his dealings with Yugoslavia, Nixon had broken the dichotomy established by the Cold War. Namely, he challenged the assumption that there existed a monolithic communist bloc which could have no friendly dealings with the West. Rather than believing in Soviet suzerainty over communist Yugoslavia, Nixon instead chose to exploit fractures in international communism to develop a partnership with Tito. While Yugoslavia remained demonstrably outside the Soviet sphere of influence, the country did manage to cultivate better relations with its large communist neighbor in the north. As both American and Soviet policymakers realized, the open statements and demonstrations of US interest in an independent, non-aligned

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141 “Joint Statement Following Talks With President Tito of Yugoslavia,” Joint Statement Following Talks With President Tito of Yugoslavia. | The American Presidency Project, August 4, 1975.  
<https://www.presidency.ucsb.edu/documents/joint-statement-following-talks-with-president-tito-yugoslavia>.



Yugoslavia played a crucial role in making this so. At the same time, Yugoslavia never formally entered into a conventional alliance with the US, yet this was never a stated goal of the Nixon administration. Instead, the US sought to preserve Yugoslavia's status as a strong leader of the Non-Aligned Movement, albeit with a strong inclination towards the West. By this measure, the Nixon Administration had achieved its stated goals. Though the path was fraught with challenges, inconsistencies, and often contradictions, Nixon helped establish Yugoslavia as a reliable American partner in the Balkans for years to come.

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